

March 12, 2002

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**FIVE YEAR RE-LEASE
DEPARTMENT OF HEALTH SERVICES
2064 MARENGO STREET & 1063 NORTH CHICAGO STREET, LOS ANGELES
(FIRST) (3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Chairman to sign the attached five year re-lease with Mack Novak, Trustee, Novak Trust, (Lessor) for the continued occupancy of 12,940 rentable square feet of office space, including 32 off-street parking spaces for the Department of Health Services (DHS) at 2064 Marengo Street and 1063 North Chicago Street, Los Angeles at an initial annual rent of \$170,808, which is approximately 78 percent subvented by State and Federal funding.
2. Find that this lease is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Class 1, Section r, of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15601 (b) (3) of the State CEQA Guidelines.
3. Approve the project and authorize the Chief Administrative Office (CAO) and DHS to implement the project. The lease will be effective upon approval by your Board.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of this proposed re-lease to extend the term of the lease for another five years will allow DHS to continue to house its 60 member Expenditure Management and Group Purchasing Organization staff at 2064 Marengo Street and 1063 North Chicago Street, Los Angeles. These two programs provide administrative support services to the LAC+USC Healthcare Network and Juvenile Court Health Services. This site is in close proximity to the Medical Center Administration and will relocate onto the 6th floor, Outpatient Department Building when it is completed, which is anticipated to be approximately 2006.

Implementation of Strategic Plan Goals

The Countywide Strategic Plan directs that we invest in public infrastructure, in order to strengthen the County's fiscal capacity. The proposed lease supports this strategy (Goal 4, Strategy 2, Objective 2) in that administrative office space is being leased for DHS on a short term basis pending future program consolidation.

FISCAL IMPACT/FINANCING

The annual cost of this lease will initially be \$170,808.

2064 Marengo St. & 1063 N. Chicago St.	Existing Lease	Re-lease	Change
Area	12,940 sq. ft.	12,940 sq. ft.	None
Term	12/1/91-11/30/01	5 years	Add'l 5 years
Annual Rent	\$138,000	\$170,808	\$32,808
TI Allowance	None	None	None
Parking	32 off street spaces	32 off street spaces	None
Included in Rent			

Cancellation	One time right at the 36 th mo. upon 120 days notice	Anytime after 3 years upon 180 days notice	
Option to Renew	One 5-Year	One 5-Year	None

- Sufficient funding for the proposed lease is included in the 2001-02 Rent Expense Budget and will be charged back to DHS. Sufficient funding is available in the 2001-02 DHS budget to cover the projected lease costs.
- The cost associated with the proposed lease will be approximately 78 percent subvented by State and Federal funding.
- The monthly rent under the proposed new lease is subject to an annual CPI adjustment not to exceed 3 percent.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

DHS has been at this location since the Marengo building was built for the County in 1968 and the adjoining two-story building on Chicago was converted into offices. The current ten year lease expired on November 30, 2001 and occupancy has continued on a month-to-month basis as of December 1, 2001. The premises are in close proximity to the Medical Center Administration which facilitates a close working relationship with administrators and hospital support staff. When the new hospital construction is completed these offices will be relocated to the Outpatient Department Building, anticipated to be approximately 2006.

The proposed five-year re-lease agreement provides 9,620 rentable square feet at 2064 Marengo Street and 3,320 rentable square feet at 1063 North Chicago Street for a combined total of 12,940 rentable square feet of office space and 32 off-street parking spaces. The lease also contains the following provisions:

- The term commences upon approval by your Board and ends five years thereafter.
- There are no tenant improvements in this lease.

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- Parking for the balance of the staff is available nearby at 1950 Marengo Street, County Parking Structure Lot 9.
- Lessor is responsible for maintenance of the basic structure. The Lessor has completed all exterior repairs requested by the County.
- County is responsible for all interior maintenance and utilities.
- County has the option to renew for a period of five years under the same terms, conditions and rental rate by giving 180 days prior written notice.
- County has the right to cancel anytime after the third year by giving 180 days prior written notice.
- County has the option to purchase the premises for the sum of \$1,900,000 by written notice given prior to November 30, 2003.

CAO Real Estate staff conducted a survey of the area within a two-mile radius of the Medical Center to determine the availability of comparable and more economical sites. Staff was unable to identify any sites in the surveyed area that could accommodate these requirements more economically. Attachment B shows all County owned and leased facilities within the search area for this program. There are no County owned or leased facilities available for this program within close proximity to the Medical Center.

Based upon a rental survey of similar properties within a two-mile radius of the Medical Center, staff has determined that the annual rental range is between \$16.20 and \$19.80 per rentable square foot. Thus, the base annual rental rate of \$13.20 per square foot for the proposed lease is below the market for the area surveyed.

The proposed lease has been administratively reviewed and approved by your Board's appointed Real Estate Management Commission.

The Department of Public Works has inspected this facility and finds it suitable for the County's occupancy.

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There are two child care facilities on the Medical Center campus which are available for staff housed in these buildings.

NEGATIVE DECLARATION/ENVIRONMENTAL IMPACT REPORT:

The CAO has made an initial study of environmental factors and has concluded that this project is exempt from CEQA as specified in Class 1, Section r, of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15061 (b) (3) of the State CEQA Guidelines.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

It is the finding of the CAO that the proposed lease is in the best interest of the County and will continue to provide the necessary space for this County requirement. In accordance with your Board's policy on the housing of any County offices or activities, DHS concurs in this lease recommendation.

CONCLUSION

It is requested that the Executive Officer, Board of Supervisors, return two originals of the executed lease agreement and the adopted, stamped Board letter, and two certified copies of the Minute Order to the Chief Administrative Office, Real Estate Division at 222 South Hill Street, Fourth Floor, Los Angeles, CA 90012 for further processing.

Respectfully submitted,

DAVID E. JANSSEN
Chief Administrative Officer

DEJ:SNY

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CWW:JWP:hd

Attachments (4)

c: County Counsel
Auditor-Controller
Department of Health Services

ATTACHMENT A

DEPARTMENT OF HEALTH SERVICES
EXPENDITURE MANAGEMENT AND GROUP PURCHASING ORGANIZATION
2064 MARENGO ST. & 1063 N. CHICAGO ST., LOS ANGELES
Asset Management Principles Compliance Form¹

	YES	NO	NA
1. <u>Occupancy</u>			
A Does lease consolidate administrative functions? ² This is an administrative function which is housed as close to the Medical Center as possible and will be moved on campus when the construction is completed.	<u> </u>	<u>X</u>	<u> </u>
B Does lease co-locate with other functions to better serve clients? ²	<u> </u>	<u> </u>	<u>X</u>
C Does this lease centralize business support functions? ²	<u> </u>	<u> </u>	<u>X</u>
D Does lease meet the guideline of 200 sf of space per person? ² Ratio: 1/216 sf. Both buildings are functionally obsolescent due to excessive space for corridor layouts. The short term basis for occupancy and low market rental rate offsets the need to lease excess space.	<u> </u>	<u>X</u>	<u> </u>
2. <u>Capital</u>			
A Should program be in leased space to maximize State/Federal funding?	<u> </u>	<u> </u>	<u>X</u>
B If not, is this a long term County program?	<u>X</u>	<u> </u>	<u> </u>
C Is it a net County cost (NCC) program? List % NCC 22% NCC	<u>X</u>	<u> </u>	<u> </u>
D If yes to 2 B or C; capital lease or operating lease with an option ?	<u> </u>	<u>X</u>	<u> </u>
E If no, are there any suitable County owned facilities available?	<u> </u>	<u>X</u>	<u> </u>
F If yes, why is lease being recommended over occupancy in County owned space?	<u> </u>	<u> </u>	<u>X</u>
G Is Building Description Report attached as Attachment B? ²	<u>X</u>	<u> </u>	<u> </u>
H Was build to suit or capital project considered? ² Programs will be housed in new Medical Center when completed.	<u>X</u>	<u> </u>	<u> </u>
3. <u>Portfolio Management</u>			
A Did department utilize CAO Space Request Evaluation(SRE)? ²	<u>X</u>	<u> </u>	<u> </u>
B Was the space need justified?	<u>X</u>	<u> </u>	<u> </u>
C If a renewal lease, was co-location with other County departments considered?	<u> </u>	<u>X</u>	<u> </u>
D Why was this program not co-located?	<u> </u>	<u> </u>	<u> </u>
1. <u> </u> The program clientele requires a "stand alone" facility.			
2. <u>X</u> No suitable County occupied properties in project area.			
3. <u>X</u> No County owned facilities available for the project			
4. <u> </u> Could not get City clearance or approval			
5. <u> </u> The Program is being co-located			
E Is lease a full service lease? ² Lessor does not agree to full-service lease but does pay exterior maintenance, taxes, insurance. County pays interior maintenance, utilities, janitorial	<u> </u>	<u>X</u>	<u> </u>
F Has growth projection been considered in space request?	<u>X</u>	<u> </u>	<u> </u>
G Has the Dept. of Public Works completed seismic review/approval?	<u>X</u>	<u> </u>	<u> </u>

¹ As approved by the Board of Supervisors 11/17/98

Please **BOLD** any written responses

² If not, why not?

ATTACHMENT B

SPACE SEARCH, TWO-MILE RADIUS OF LAC + USC MEDICAL CENTER FOR DEPARTMENT OF HEALTH SERVICES

LAC#	FACILITY NAME	ADDRESS	SQ FT GROSS	SQ FT NET		SQ FT AVAIL
A423	SHERIFF-PERSONNEL AND RECRUITMENT CENTER	101 CENTRE PLAZA DR, MONTEREY PARK 91754	37,590	33,831	LEASED	NO NE
T532	BIG CAILUZ-LIBRARY TRAILER	1060 N EASTER N AVE, LOS ANGELES 90063	18,951	13,484	OWNED	NO NE
S863	IGD-ADMINISTRATIVE HEADQUARTERS	1100 N EASTER N AVE, LOS ANGELES 90063	87,509	65,666	FINANCED	NO NE
S260	CORONER-ADMINISTRATIVE INVESTIGATIONS BLDG	1102 N MISSION RD, LOS ANGELES 90033	22,479	14,251	OWNED	NO NE
T039	SHERIFF-EASTER N COMPLEX FLEET SERVICES OFFICE	1104 N EASTER N AVE, LOS ANGELES 90063	1,548	1,428	OWNED	NO NE
T590	IGD-EASTER N AVE TELECOM CUSTOMER SERVICE BLDG	1110 N EASTER N AVE, LOS ANGELES 90063	38,966	29,898	GRATIS	NO NE
X155	IGD-EASTER N AVE COMPLEX TELECOM BUTLER BLDG	1112 N EASTER N AVE, LOS ANGELES 90063	4,960	4,638	OWNED	NO NE
O837	MED CTR-PERSONNEL OFFICE BUILDING	1200 N STATE ST, LOS ANGELES 90033	37,695	29,291	OWNED	NO NE
T546	MED CTR-PATIENT FINANCIAL SERVICES OFFICE ET-16	1240 N MISSION RD, LOS ANGELES 90033	7,778	2,925	OWNED	NO NE
A324	FIRE-EMPLOYEE RELATIONS OFFICE	1255 CORPORATE CENTER DR, MONTEREY PARK	3,079	2,925	LEASED	NO NE
S542	FIRE-ADMINISTRATIVE HEADQUARTERS BUILDING	1320 N EASTER N AVE, LOS ANGELES 90063	39,535	24,767	FINANCED	NO NE
6131	DODGE-EAST LOS ANGELES SERVICE CENTER	133 N GUNN L DR, EAST LOS ANGELES 90063	28,514	21,777	OWNED	NO NE
4364	PROBATION-EAST LOS ANGELES AREA OFFICE	144 S FETTERLY AVE, EAST LOS ANGELES 90022	15,584	11,327	OWNED	NO NE
4799	PW CENTRAL YARD-DIVISION ADMINISTRATION	1525 ALCAZAR ST, LOS ANGELES 90033	10,438	7,224	OWNED	NO NE
3100	EASTLAKE JUVENILE COURT HOUSE-1	1601 EASTLAKE AVE, LOS ANGELES 90033	47,379	26,024	OWNED	NO NE
3102	JUVENILE HALL-ADMINISTRATIVE BUILDING-4	1605 EASTLAKE AVE, LOS ANGELES 90033	75,907	33,945	OWNED	NO NE
6483	MED CTR-MAGNARY SHOP OFFICE- BUILDING 100	1739 GRIFFIN AVE, LOS ANGELES 90031	1,040	950	OWNED	NO NE
O278	MED CTR-TRANSPORTATION OFFICE AND VEHICLE PKG	1830 GRIFFIN AVE, LOS ANGELES 90031	1,000	890	OWNED	NO NE
O863	MED CTR-PATIENT FINANCIAL SERVICES OFFICE	1910 N MAIN ST, LOS ANGELES 90031	13,610	8,919	LEASED	NO NE
X201	EDMUND D EDLMAN CHILDREN'S COURT	201 CENTRE PLAZA DR, MONTEREY PARK 91754	275,530	181,958	FINANCED	NO NE
4946	MED CTR-INTERNS & RESIDENTS BUILDING	2020 CONAL AVE, LOS ANGELES 90033	142,448	79,494	OWNED	NO NE
3154	CLARA SHORTRIDGE FOLTZ CRIMINAL JUSTICE CENTER	210 W TEMPLE ST, LOS ANGELES 90012	1,036,283	399,535	FINANCED	NO NE
3241	EAST LOS ANGELES COURT HOUSE	214 S FETTERLY AVE, EAST LOS ANGELES 90022	126,972	63,347	FINANCED	NO NE
X294	PW CENTRAL YARD-SHOP OFFICE BLDG	2275 ALCAZAR ST, LOS ANGELES 90033	1,400	1,260	OWNED	NO NE
A120	DODGE-LATINO FAMILY PRESERVATION PROJECT	2501 DAVIDSON DR, MONTEREY PARK 91754	6,700	4,825	LEASED	NO NE
A015	DH-ENVIRONMENTAL HEALTH HEADQUARTERS	2525 CORPORATE PL, MONTEREY PARK 91754	29,542	23,680	LEASED	NO NE
O196	HALL OF RECORDS	320 W TEMPLE ST, LOS ANGELES 90012	876,190	519,046	OWNED	NO NE
1491	DH-CORRECTORIAL OFFICE RESIDENCE	3301 E 1ST ST, LOS ANGELES 90063	1,517	1,106	OWNED	NO NE
X707	PUBLIC LIBRARY-ANTHONY QUINN LIBRARY	3965 E CEDAR CHAVEZ AVE, EAST LOS ANGELES 90033	7,275	6,077	OWNED	NO NE
Y307	PUBLIC LIBRARY-CITY TERRACE LIBRARY	4025 CITY TERRACE DR, EAST LOS ANGELES 90033	8,007	6,984	OWNED	NO NE
O269	DODGE-LINCOLN HEIGHTS AP DISTRICT OFFICE	4077 N MISSION RD, LOS ANGELES 90032	26,094	18,575	LEASED	NO NE
A930	PUBLIC LIBRARY-EL CAMINO REAL LIBRARY	4254 E WHITTIER BLVD, EAST LOS ANGELES 90023	3,380	2,563	OWNED	NO NE
2130	PW ROAD-DIV #142 MAINTENANCE YARD OFFICE	4304 EUGENE ST, EAST LOS ANGELES 90022	397	227	OWNED	NO NE
X167	SHERMAN BLOCK-SHERIFF'S HEADQUARTERS BUILDING	4700 W RAMONA BLVD, MONTEREY PARK 91754	125,000	106,250	FINANCED	NO NE
Y135	CENTRO MARAVILLA SVC CTR-BLDG B	4716 E CEDAR CHAVEZ AVE, EAST LOS ANGELES 90033	3,612	1,948	OWNED	NO NE
T509	PARKS & REC-PROPOSITION A FIELD OFFICE	4914 E CEDAR CHAVEZ AVE, EAST LOS ANGELES 90033	540	424	OWNED	NO NE

2064 MARENGO STREET & 1063 N. CHICAGO STREET, LOS ANGELES